

## **1210.28 1099 Reporting**

Issued January 1, 1994

**SUBJECT:** 1099 Reporting

**APPLICATION:** Executive Branch Departments and Sub-units.

**PURPOSE:** To provide guidelines for 1099 reporting of interest income, miscellaneous income and proceeds from real estate transactions.

**CONTACT AGENCY:** Office of Financial Management (OFM).

**TELEPHONE:** 517/335-7269

**FAX:** 517/373-6458

**SUMMARY:** Vendor/payee payments that qualify as interest and/or miscellaneous income and sales or exchanges of real estate must be appropriately reported to the Internal Revenue Service (IRS). Each department and agency is responsible for reporting on their own sales or exchanges of real estate. The OFM reports on interest and miscellaneous income.

Interest Income - Internal Revenue Code requires certain payments be reported to the IRS on Form 1099-INT (Interest Income). Form 1099-INT must be issued to a vendor/payee who is not a corporation and receives interest payments totaling \$600 or more during a calendar year or is subject to back-up withholding on payments that are reportable on 1099-INT.

Miscellaneous Income - Internal Revenue Code requires certain payments be reported to the IRS on Form 1099-MISC (Miscellaneous Income). Form 1099-MISC must be issued to a vendor/payee if at least one of the following occurs:

The vendor/payee is not a corporation and receives any of the following:

- Combined payments for rent, non-employee compensation, medical and health care, court ordered settlements for back wages, mental anguish, and stress (settlements for physical injury are generally not 1099 reportable) and other income (e.g., prizes, awards and payments to beneficiaries of deceased employees) totaling \$600 or more during the calendar year.
- Payments for royalties totaling \$10 or more during the calendar year.

The vendor/payee is a corporation and receives any of the following:

- Medical and health care payments or attorneys' fees totaling \$600 or more during the calendar year.
- Gross proceeds paid to an attorney during the calendar year.

The vendor/payee (whether or not a corporation) is subject to back-up withholding on payments that are reportable on Form 1099-MISC.

Proceeds from Real Estate Transactions - Internal Revenue Code requires certain sales or exchanges of real estate to be reported to the IRS on Form 1099-S (Proceeds from Real Estate Transactions).

Generally, agencies are required to report a transaction that consists in whole or in part, of the sale or exchange for money, indebtedness, property or services of any present or future ownership interest in any of the following:

- Improved or unimproved land, including air space.
- Inherently permanent structures, including any residential, commercial or industrial building.
- A condominium unit and its appurtenant fixtures and common elements, including land.
- Stock in a cooperative housing corporation as defined in Section 216 of the Internal Revenue Code.

APPLICABLE FORMS: IRS Form 1099-INT, Interest Income.  
IRS Form 1099-MISC, Miscellaneous Income.  
IRS Form, 1099-S, Proceeds from Real Estate Transactions.  
IRS Instructions for Form 1099-INT and 1099-OID.  
IRS Instructions for Form 1099-MISC.  
IRS Instructions for Form 1099-S.  
DMB-935 Form, 1099-Miscellaneous Correction Form.  
DMB-936 Form, 1099-Interest Correction Form.

WEBSITE: [http://www.irs.gov/forms\\_pubs/index.html](http://www.irs.gov/forms_pubs/index.html)

PROCEDURE:

Agency Accounting Staff:

### **Interest Income and Miscellaneous Income**

Accounting for 1099 Reportable Income

- The 1099 reporting process is controlled by indicators on R\*STARS D10 (Comptroller Object Screen) and vendor record information on the vendor file.
  - D10 "Form Indicator" – Determines whether payment is reported on a 1099-MISC or 1099-INT. An "M" in this field means that payments made using the object are reported on a 1099-MISC; an "I" means payments are reported on a 1099-INT. If payments are not reportable, the field will be blank.
  - D10 "1099 Indicator" Box – Determines in which box on form 1099 the reportable payments are reported. If a number is in this field, it denotes the box number where payments, made using the object, are reported. An "N" in the field indicates that payments made using the object are not reportable.
  - Vendor Record Information – Determines the vendor's entity type, i.e., sole proprietor, partnership, corporation, etc. Certain types of entities, such as sole proprietors and partnerships, are subject to 1099 reporting for all types of reportable payments. Other types of entities are subject to 1099 reporting for only medical and health care payments.
- Refer to the D10 "form indicator" and "1099 indicator" to identify 1099 reportable comptroller object codes.
- At calendar year end, payments, deposits and journal vouchers that include a valid vendor number and use objects that are 1099 reportable are summarized by vendor/payee. If the summarized transactions meet the criteria for 1099 reporting, the appropriate 1099 form is issued.

Vendor/Payee Inquiries

- Agency staff will handle vendor/payee inquiries regarding reportable payments made by their agency.
- To research vendor/payee questions, agency staff can use RMDS reports to obtain detailed listings of transactions comprising the amounts reported on 1099 forms. These reports provide

payment detail, summarized and sorted by vendor number, 1099 form box number, and comptroller object.

- Transactions reported on 1099-MISC forms are in the DAFR7940 (Agency 1099-MISC Vendor Worksheet).
- Transactions reported on 1099-INT forms are in the DAFR7941 (Agency 1099-INT Vendor Worksheet).

#### Requesting 1099 Form Corrections

- If agency staff determine that an error has occurred on a 1099 form, they must request that OFM issue a corrected form. This request is submitted via a 1099-Miscellaneous Correction form or 1099-Interest Correction form. These forms are distributed with OFM's annual 1099 Forms memorandum.
- Complete the appropriate form as follows:
  - Enter calendar year to be corrected.
  - Enter MAIN FACS agency number of the agency that processed the payments.
  - Enter the name of the vendor to be corrected (if a vendor name has changed, enter the vendor name that was on the original 1099 statement).
  - Enter the vendor number to be corrected (if a vendor number has changed, enter the vendor number that was on the original 1099 statement).
  - Indicate type of correction by checking the appropriate box. Instructions for each type of change follow:
    - Vendor number change – If the correct vendor number is not already on the central vendor/payee file, a W-9 completed by the vendor/payee must be submitted with the correction form.
    - Amount Correction – Enter the amount each box should increase (+) or decrease (-) and circle the appropriate + or -. An explanation for the change is required. Include old/new comptroller object codes that should be adjusted.
    - Address Change – Enter previous and new mailing address for the vendor/payee.
    - Vendor name – Submit a W-9 form completed and signed by the vendor/payee along with the correction form.
- The chief accountant or agency 1099 reporting contact must sign and date the correction request form and include their telephone number. OFM will not accept correction request forms signed by other individuals.
- Forward 1099-Miscellaneous Correction form or 1099-Interest Correction form to DMB, OFM, Financial Operations Division, Romney Building – 7th Floor, Lansing, MI 48913.

#### Proceeds from Real Estate Transactions

- Agencies must report to the IRS real estate transactions for which they are responsible for the closing (see IRS instructions for Form 1099-S for exceptions) and furnish Form 1099-S to the IRS after December 31 of the calendar year that includes the date of closing the real estate transaction, but no later than February 28 of the following calendar year. A copy of Form 1099-S should be furnished to transferors at the closing.

#### OFM:

##### Interest Income

- Forward Form 1099-INT to the IRS after December 31 of the calendar year that includes the interest payments, but no later than February 28 of the following calendar year.
- Furnish a copy of Form 1099-INT to recipients by January 31 of the calendar year following the year the interest payments were made.
- Monthly, report corrected 1099-INT forms to the IRS; a copy of corrected 1099-INT is furnished to the recipients.

##### Miscellaneous Income

- Forward Form 1099-MISC to the IRS after December 31 of the calendar year that includes the miscellaneous payments, but no later than February 28 of the following calendar year.
- Furnish a copy of Form 1099-MISC to recipients by January 31 of the calendar year following the year the miscellaneous payments were made.
- Monthly, report corrected 1099-MISC forms to the IRS; a copy of corrected 1099-MISC is furnished to the recipients.
- 

\* \* \*

Procedure Update: 11-9-01  
Procedure 1210.28